

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2013

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Hardin County

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Hardin County Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Johnson	Board of Supervisors	January 2013
Brian Lauterbauch	Board of Supervisors	January 2015
Lance Granzow	Board of Supervisors	January 2015
Renee McClellan	County Auditor	January 2013
Machel Eichmeier	County Treasurer	January 2015
Barbara Nuss	County Recorder	January 2015
Tim Smith	County Sheriff	January 2013
Randall Tilton	County Attorney	January 2015
Don Knoell	County Assessor	January 2013

(After January 2013)

Brian Lauterbauch	Board of Supervisors	January 2015
Lance Granzow	Board of Supervisors	January 2015
Ronn Rickels	Board of Supervisors	January 2017
Renee McClellan	County Auditor	January 2017
Machel Eichmeier	County Treasurer	January 2015
Barbara Nuss	County Recorder	January 2015
Dave McDaniel	County Sheriff	January 2017
Randall Tilton	County Attorney	January 2015
Don Knoell	County Assessor	January 2014



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Independent Auditors' Report

To the Officials of Hardin County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining

fund information of Hardin County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U. S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2014 on our consideration of Hardin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hardin County's internal control over financial reporting and on compliance.

Bowman and Miller, P.C.

January 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 2.4%, or approximately \$411,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$88,000, operating grants and contributions decreased approximately \$317,000, capital grants and contributions increased approximately \$1.1 million and charges for service decreased approximately \$463,000.
- Program expenses of the County's governmental activities were 0.4%, or approximately \$65,000, more in fiscal year 2013 than in fiscal year 2012. Non-program expenses decreased approximately \$964,000, mental health expenses decreased approximately \$1,307,000 and roads and transportation expenses increased approximately \$1,684,000.
- The County's net position increased 3.8%, or approximately \$1,022,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Hardin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Hardin County's combined net position increased from approximately \$27.2 million to approximately \$28.2 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 37,824	20,955
Capital assets	28,494	26,870
Total assets	66,318	47,825
Long-term liabilities	30,401	13,051
Other liabilities	7,724	7,603
Total liabilities	38,125	20,654
Net position:		
Net investment in capital assets	18,924	14,482
Restricted	7,657	10,476
Unrestricted	1,612	2,213
Total net position	\$ 28,193	27,171

Net position of Hardin County's governmental activities increased 3.8% (\$28.2 million compared to \$27.2 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$2.2 million at June 30, 2012 to approximately \$1.6 million at the end of this year, a decrease of 27.2%.

Changes in Net Position of Governmental Activities		
	Year Ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 2,437,916	2,900,515
Operating grants, contributions, and restricted interest	4,211,245	4,528,087
Capital grants, contributions and restricted interest	3,503,323	2,428,092
General revenues:		
Property tax	6,514,272	6,426,449
Interest and penalty on property tax	58,821	71,011
State tax credits	311,635	234,489
Local option sales tax	638,592	630,507
Grants not restricted to specific purposes	30,257	-
Unrestricted investment earnings	94,053	121,672
Other general revenues	78,514	126,659
Total revenues	17,878,628	17,467,481
Program expenses:		
Public safety and legal services	3,684,535	3,627,557
Physical health and social services	163,569	201,373
Mental health	749,026	2,056,388
County environment and education	1,032,836	819,364
Roads and transportation	7,131,343	5,447,211
Governmental services to residents	480,520	438,937
Administration	1,834,738	1,807,324
Non-program	1,035,535	1,999,529
Interest on long-term debt	744,456	394,042
Total expenses	16,856,558	16,791,725
Increase in net position	1,022,070	675,756
Net position beginning of year	27,170,638	26,494,882
Net position end of year	\$ 28,192,708	27,170,638

Hardin County's net position of governmental activities increased approximately \$1,022,000 during the year. Total revenues increased approximately \$411,000 over the prior year, with property tax revenue up from the prior year approximately \$88,000 or 1.4%. Capital grants, contributions and restricted interest increased due to the repayment of approximately \$2.6 million of drainage warrants. The total cost of all programs and services increased by 0.4% or approximately \$65,000.

The cost of all governmental activities this year was approximately \$16.9 million compared to approximately \$16.8 million last year. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities was only \$6.7 million because some of the cost was paid by those who directly benefited from the programs (\$2,438,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,715,000).

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2013 from approximately \$9,857,000 to approximately \$10,152,000. The County paid for the remaining "public benefit" portion of governmental activities (\$6,704,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hardin County completed the year, its governmental funds reported a combined fund balance of approximately \$9.3 million, a decrease of more than \$3.4 million below last year's total of approximately \$12.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a modest decline of approximately \$480,000 from the prior year to approximately \$3,329,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. In July 2012 the County joined the County Social Services Agency. This Agency is a 17 county member agency established to help consolidate mental health services and costs. For the year, expenditures totaled approximately \$747,862, a decrease of 64.2% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$270,500 over the prior year.
- The fund balance in the Special Revenue, Rural Services Fund decreased approximately \$181,000 due to a decrease in property tax revenue.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$200,000 due to decreases in federal bridge replacement and road use tax funds received in 2013. Expenditures increased approximately \$770,000 due principally to an increase in roadway maintenance. This increase in expenditures resulted in a decrease in the Special Revenue, Secondary Roads Fund ending balance of approximately \$147,000.
- The County issued \$20 million in general obligation bonds in fiscal year 2013 to finance the construction of a new hospital in Iowa Falls. The proceeds were placed in the debt service fund and an expenditure of \$20 million was then made to the Ellsworth Municipal Hospital to fund the construction.
- The Capital Projects Fund balance decreased approximately \$3,044,000. In fiscal year 2012 the County issued \$3,715,000 of general obligation bonds to help finance the wind farm project. The expenditures were incurred in fiscal year 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget four times. The first amendment was made on July 18, 2012 and resulted in an increase in budgeted disbursements related to capital projects. The second budget amendment was made on October 10, 2012. This amendment was made to increase expenditures related to capital projects, public safety and conservation expenses. The third and fourth budget amendments were made on May 5, 2013 and June 5, 2013, respectively. These amendments were made to provide for additional expenditures in certain County departments.

The County's receipts were \$399,747 less than budgeted, a variance of 2.7%.

Total disbursements were \$2,114,016 less than the amended budget. Actual disbursements for the mental health, capital projects, and administration functions were \$875,940, \$577,495 and \$129,672, respectively, less than budgeted. This was primarily due to the consolidation of mental health expenditures with the County Social Service Agency and fewer capital projects being completed.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2013. The County did not budget for the revenue and expenditures related to the hospital bond issue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Hardin County had approximately \$56 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This is a net increase (including additions and deletions) of approximately \$3.6 million or 6.9% over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 1,627	1,564
Construction in progress	173	601
Buildings and improvements	11,744	11,363
Machinery and equipment	8,767	8,616
Infrastructure	33,481	30,047
Total	<u>\$ 55,792</u>	<u>52,191</u>
This year's major additions included (in thousands):		
Secondary road equipment	\$	220
Conservation land acquisition		63
Sheriff's vehicles		61
Computer upgrades		104
Courthouse improvements		329
Roadway construction and maintenance		2,750
Total	<u>\$</u>	<u>3,527</u>

The County had depreciation expense of \$2,287,996 in fiscal 2013 and total accumulated depreciation of \$27,297,478 at June 30, 2013.

The County's fiscal year 2013 capital budget included \$4,333,000 for capital projects, principally for the purchase of land for the conservation department, the construction of a new wind farm and new secondary road equipment purchases. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At June 30, 2013, the County had approximately \$29,712,000 in general obligation bonds and other debt outstanding compared to approximately \$12,449,000 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2013	2012
General obligation bonds	\$ 28,665,000	9,230,000
Capital lease purchase agreements	130,782	168,786
Drainage warrants	915,858	3,050,566
	<u>\$ 29,711,640</u>	<u>12,449,352</u>

Debt increased as a result of issuing general obligation bonds for the construction of a new hospital in Iowa Falls. The County issued the debt, however the repayment will be made from revenue generated by the new hospital.

The County continues to carry a general obligation bond rating of A1 assigned by national rating agencies to the County's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Hardin County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$70 million. More detailed information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the fiscal year 2014 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County anticipates some increase in total assessed valuations due to productivity factors of agricultural land. However, rollback factors may off-set some of these increases. The overall economy is improving. Several cities in Hardin County have adopted franchise fees on utilities in lieu of local option sales tax. This will cause a reduction in local option sales tax revenue for the County. Future growth in property tax may come from proposed electric utility lines through the County.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. There will be a need for additional funding to furnish the inside of the new emergency operations center.

The County will need to continue to monitor the amount of debt that it has issued. The County, in fiscal year 2013, lent their bonding capacity for a \$20 million bond issue to construct the new Ellsworth Municipal Hospital. The bonds will be repaid from future hospital revenues.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa, 50627.

Hardin County
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 9,527,838
Receivables:	
Property tax:	
Delinquent	32,931
Succeeding year	6,923,018
Interest and penalty on property tax	128,708
Accounts	11,124
Accrued interest	7,275
Drainage assessments	50,642
Bond	20,000,000
Due from other governments	643,651
Inventories	498,247
Capital assets, net of accumulated depreciation	28,494,429
Total assets	<u>66,317,863</u>
Liabilities	
Accounts payable	598,879
Accrued interest payable	93,320
Salaries and benefits payable	100,691
Due to other governments	8,232
Deferred revenue:	
Succeeding year property tax	6,923,018
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	101,998
General obligation bonds	755,000
Compensated absences	332,438
Portion due or payable after one year:	
Capital lease purchase agreements	28,784
General obligation bonds	27,910,000
Drainage warrants/drainage improvement certificates	915,858
Net OPEB liability	356,937
Total liabilities	<u>38,125,155</u>
Net Position	
Net investment in capital assets	18,923,261
Restricted for:	
Supplemental levy purposes	699,616
Mental health purposes	1,206,862
Rural services purposes	884,945
Secondary roads purposes	1,356,897
Debt service	13,323
Capital projects	1,298,286
Other purposes	2,197,005
Unrestricted	1,612,513
Total net position	<u>\$ 28,192,708</u>

See notes to financial statements.

Hardin County
Statement of Activities
Year ended June 30, 2013

			Program Revenues		
			Operating Grants,	Capital Grants,	
			Contributions	Contributions	
			and Restricted	and Restricted	
	Expenses	Charges for	Interest	Interest	
		Service			
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,684,535	1,633,706	9,000	-	
Physical health and social services	163,569	-	35,848	-	
Mental health	749,026	321,030	21,047	-	
County environment and education	1,032,836	42,889	66,775	103,066	
Roads and transportation	7,131,343	80,964	3,643,512	396,887	
Governmental services to residents	480,520	336,187	201	-	
Administration	1,834,738	23,140	434,862	9,121	
Non-program	1,035,535	-	-	2,994,249	
Interest on long-term debt	744,456	-	-	-	
Total	\$ 16,856,558	2,437,916	4,211,245	3,503,323	

General Revenues:

Property and other county tax levied for:

General purposes

Debt service

Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Grants not restricted to specific purposes

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes</u> <u>in Net Position</u>	
	(2,041,829)
	(127,721)
	(406,949)
	(820,106)
	(3,009,980)
	(144,132)
	(1,367,615)
	1,958,714
	<u>(744,456)</u>
	<u>(6,704,074)</u>
	5,870,163
	309,179
	334,930
	58,821
	311,635
	638,592
	30,257
	94,053
	<u>78,514</u>
	<u>7,726,144</u>
	1,022,070
	<u>27,170,638</u>
<u>\$</u>	<u>28,192,708</u>

Hardin County
Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 3,175,861	1,257,290	813,842	1,108,681
Receivables:				
Property tax:				
Delinquent	22,567	813	7,636	-
Succeeding year	4,664,158	168,000	1,675,135	-
Interest and penalty on property tax	128,708	-	-	-
Accounts	5,386	-	-	5,738
Accrued interest	7,275	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	256,869	1,713	78,137	280,886
Inventories	-	-	-	498,247
Total assets	\$ 8,260,824	1,427,816	2,574,750	1,893,552
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 66,147	22,612	1,376	381,973
Salaries and benefits payable	46,918	1,891	3,458	48,424
Due to other governments	4,130	1,116	2,282	704
Deferred revenue:				
Succeeding year property tax	4,664,158	168,000	1,675,135	-
Other	150,846	805	7,554	-
Total liabilities	4,932,199	194,424	1,689,805	431,101
Fund balances:				
Nonspendable:				
Inventories	-	-	-	498,247
Restricted for:				
Supplemental levy purposes	699,616	-	-	-
Mental health purposes	-	1,233,392	-	-
Rural services purposes	-	-	884,945	-
Secondary road purposes	-	-	-	964,204
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Cemetery levy	2,293	-	-	-
Conservation land acquisition	1,979	-	-	-
Other purposes	-	-	-	-
Assigned for conservation resources	777,739	-	-	-
Unassigned	1,846,998	-	-	-
Total fund balances	3,328,625	1,233,392	884,945	1,462,451
Total liabilities and fund balances	\$ 8,260,824	1,427,816	2,574,750	1,893,552

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
108,751	1,273,910	987,888	8,726,223
1,915	-	-	32,931
415,725	-	-	6,923,018
-	-	-	128,708
-	-	-	11,124
-	-	-	7,275
-	-	50,642	50,642
-	26,046	-	643,651
-	-	-	498,247
526,391	1,299,956	1,038,530	17,021,819

-	1,670	-	473,778
-	-	-	100,691
-	-	-	8,232
415,725	-	-	6,923,018
1,897	-	50,642	211,744
417,622	1,670	50,642	7,717,463

-	-	-	498,247
-	-	-	699,616
-	-	-	1,233,392
-	-	-	884,945
-	-	-	964,204
-	-	260,669	260,669
108,769	-	-	108,769
-	1,298,286	-	1,298,286
-	-	-	2,293
-	-	-	1,979
-	-	727,219	727,219
-	-	-	777,739
-	-	-	1,846,998
108,769	1,298,286	987,888	9,304,356
526,391	1,299,956	1,038,530	17,021,819

Hardin County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2013

Exhibit D

Total governmental fund balances (page 15)	\$ 9,304,356
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$55,791,907 and the accumulated depreciation is \$27,297,478.	28,494,429
Bond receivable is not due and receivable in the current year and, therefore, is not reported in the governmental funds.	20,000,000
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	211,744
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	676,513
Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences payable, accrued interest payable, other post employment benefits and drainage warrants/drainage improvement certificates payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(30,494,334)</u>
Net position of governmental activities (page 11)	\$ <u>28,192,708</u>

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,814,850	670,582	1,383,369	-
Local option sales tax	-	-	478,944	-
Interest and penalty on property tax	50,735	-	-	-
Intergovernmental	1,967,470	346,518	67,833	3,816,977
Licenses and permits	2,625	-	-	2,200
Charges for service	469,961	-	-	-
Use of money and property	152,391	-	-	-
Miscellaneous	139,220	1,295	-	78,764
Total revenues	6,597,252	1,018,395	1,930,146	3,897,941
Expenditures:				
Operating:				
Public safety and legal services	3,475,823	-	120,774	-
Physical health and social services	161,997	-	-	-
Mental health	1,572	747,862	-	-
County environment and education	658,288	-	259,892	-
Roads and transportation	-	-	133,568	5,343,045
Governmental services to residents	460,943	-	29,377	-
Administration	1,802,277	-	-	-
Non-program	115,058	-	48,631	-
Debt service	-	-	-	-
Capital projects	81,956	-	-	352,106
Total expenditures	6,757,914	747,862	592,242	5,695,151
Excess (deficiency) of revenues over (under) expenditures	(160,662)	270,533	1,337,904	(1,797,210)
Other financing sources (uses):				
Operating transfers in	-	-	-	1,650,201
Operating transfers out	(509,787)	-	(1,519,367)	-
Capital lease purchase agreements	190,037	-	-	-
General obligation bond proceeds	-	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(319,750)	-	(1,519,367)	1,650,201
Change in fund balances	(480,412)	270,533	(181,463)	(147,009)
Fund balances beginning of year	3,809,037	962,859	1,066,408	1,609,460
Fund balances end of year	\$ 3,328,625	1,233,392	884,945	1,462,451

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
308,775	-	334,930	6,512,506
-	159,648	-	638,592
-	-	-	50,735
14,851	-	11,351	6,225,000
-	-	-	4,825
-	-	3,860	473,821
-	6,996	545	159,932
364,290	2,125	426,153	1,011,847
687,916	168,769	776,839	15,077,258
-	-	6,381	3,602,978
-	-	-	161,997
-	-	-	749,434
-	-	35,641	953,821
-	-	-	5,476,613
-	-	-	490,320
-	-	-	1,802,277
-	-	779,574	943,263
21,146,244	-	119,530	21,265,774
-	3,213,143	-	3,647,205
21,146,244	3,213,143	941,126	39,093,682
(20,458,328)	(3,044,374)	(164,287)	(24,016,424)
358,953	-	20,000	2,029,154
-	-	-	(2,029,154)
-	-	-	190,037
20,000,000	-	-	20,000,000
-	-	438,458	438,458
20,358,953	-	458,458	20,628,495
(99,375)	(3,044,374)	294,171	(3,387,929)
208,144	4,342,660	693,717	12,692,285
108,769	1,298,286	987,888	9,304,356

Hardin County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year ended June 30, 2013

Exhibit F

Net change in fund balances - Total governmental funds (page 18) **\$ (3,387,929)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 3,688,625	
Capital assets contributed by the Iowa Department of Transportation	223,422	
Depreciation expense	<u>(2,287,996)</u>	1,624,051

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	9,852	
Other	<u>(5,070)</u>	4,782

Bond receivable provides a current financial expenditure to governmental funds, but the receivable increases assets in the Statement of Net Position	20,000,000
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(20,628,495)	
Repaid	<u>3,366,207</u>	(17,262,288)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	15,702	
Other postemployment benefits	(103,655)	
Interest on long-term debt	<u>(43,682)</u>	(131,635)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds.

The change in net position of the Internal Service Fund is reported with governmental activities.

Change in net position of governmental activities (page 13)

	175,089
	<u><u>\$ 1,022,070</u></u>

Hardin County
Statement of Net Position
Proprietary Fund
June 30, 2013

Exhibit G

	<u>Internal Service - Employee Group Health</u>
Current Assets	
Cash, cash equivalents and pooled investments	\$ 801,614
Current Liabilities	
Accounts payable	<u>125,101</u>
Net Position	
Unrestricted	<u><u>\$ 676,513</u></u>

Hardin County
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2013

Exhibit H

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,280,638
Reimbursements from employees and others		552,195
Insurance reimbursements		<u>39,972</u>
Total operating revenues		<u>1,872,805</u>
Operating expenses:		
Medical claims	\$ 1,274,978	
Insurance premiums	306,695	
Administrative fees	85,562	
Miscellaneous	<u>32,764</u>	<u>1,699,999</u>
Operating income		172,806
Non-operating revenue:		
Interest income		<u>2,283</u>
Net income		<u>175,089</u>
Net position beginning of year		<u>501,424</u>
Net position end of year		<u><u>\$ 676,513</u></u>

Hardin County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

Exhibit I

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,280,638
Cash received from employees and others	592,167
Cash payments to suppliers for services	<u>(1,648,657)</u>
Net cash provided by operating activities	224,148
 Cash flows from investing activities:	
Interest on investments	<u>2,283</u>
Net increase in cash and cash equivalents	226,431
 Cash and cash equivalents beginning of year	<u>575,183</u>
 Cash and cash equivalents end of year	<u><u>\$ 801,614</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 172,806
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>51,342</u>
Net cash provided by operating activities	<u><u>\$ 224,148</u></u>

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Exhibit J

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,394,265
Other County officials	148,584

Receivables:

Property tax receivable:

Delinquent	93,067
Succeeding year	18,898,098

Accounts	24,904
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Due from other governments	16,999
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Total assets	<u>20,575,917</u>
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Liabilities

Accounts payable	6,532
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Due to other governments	20,399,483
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Trusts payable	154,208
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Compensated absences	15,694
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Total liabilities	<u>20,575,917</u>
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Net Position

<u>\$ -</u>

Hardin County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Hardin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E and Chapter 256I of the Code of Iowa: Heartland Risk Pool Insurance, Hardin County Solid Waste Commission, Rural Iowa Waste Management Association, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission, Central Iowa Juvenile Detention Center and Iowa River Valley Early Childhood Area.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for road use tax allocation from the State of Iowa, required transfers from General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Bond Receivable – Bond receivable represents amounts due from the Ellsworth Municipal Hospital for payment on the general obligation bonds issued by the County.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

Hardin County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function and disbursements in a department exceeded the amount appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,705 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – The County places no limit on the amount which may be invested in any one issuer.

Hardin County
Notes to Financial Statements
June 30, 2013

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services General	\$ 1,519,367 130,834 <u>1,650,201</u>
Special Revenue: Carbo Tech TIF	General	20,000
Debt Service	General	<u>358,953</u>
Total		<u>\$ 2,029,154</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$408,081, \$408,081 and \$357,144, respectively, equal to the required contributions for each year.

Hardin County

Notes to Financial Statements

June 30, 2013

(5) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 100 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription benefits are provided through a partially self-funded medical plan administered by Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 129,826
Interest on net OPEB obligation	11,398
Adjustment to annual required contribution	<u>(15,549)</u>
Annual OPEB cost	125,675
Contributions made	<u>(22,020)</u>
Increase in net OPEB obligation	103,655
Net OPEB obligation beginning of year	<u>253,282</u>
Net OPEB obligation end of year	<u><u>\$ 356,937</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ending June 30, 2013, plan members eligible for benefits contributed \$22,020, or 100%, of the premium costs.

Hardin County

Notes to Financial Statements

June 30, 2013

(5) Other Postemployment Benefits (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 115,018	17%	\$ 94,941
2011	112,822	30%	173,476
2012	116,172	31%	253,282
2013	129,826	17%	356,937

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,206,456, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,206,456. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,019,439 and the ratio of the UAAL to covered payroll was 30%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Hardin County
Notes to Financial Statements
June 30, 2013

(5) Other Postemployment Benefits (OPEB) (continued)

Projected claim costs of the medical plan are \$469 per month for retirees and \$895 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 4,130
Special Revenue:		
Secondary Roads	Services	704
Rural Services	Services	2,282
Mental Health	Services	1,116
		<u>4,102</u>
Total for governmental funds		<u>\$ 8,232</u>
Agency:		
County Assessor	Collections	\$ 260,474
Schools		11,592,495
Community Colleges		1,551,202
Corporations		5,319,138
Townships		421,489
Auto License and Use Tax		431,302
E911 Surcharge		415,863
All other		407,520
Total for agency funds		<u>\$ 20,399,483</u>

Hardin County
Notes to Financial Statements
June 30, 2013

(7) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,564,458	62,500	-	1,626,958
Construction in progress	601,466	172,982	601,466	172,982
Total capital assets not being depreciated	2,165,924	235,482	601,466	1,799,940
Capital assets being depreciated:				
Buildings and improvements	11,362,579	381,869	-	11,744,448
Equipment and vehicles	8,615,805	462,355	311,510	8,766,650
Infrastructure, road network	30,047,062	3,433,807	-	33,480,869
Total capital assets being depreciated	50,025,446	4,278,031	311,510	53,991,967
Less accumulated depreciation for:				
Buildings and improvements	3,036,712	265,713	-	3,302,425
Equipment and vehicles	5,233,096	588,929	311,510	5,510,515
Infrastructure, road network	17,051,184	1,433,354	-	18,484,538
Total accumulated depreciation	25,320,992	2,287,996	311,510	27,297,478
Total capital assets being depreciated, net	24,704,454	1,990,035	-	26,694,489
Governmental activities capital assets, net	\$ 26,870,378	2,225,517	601,466	28,494,429

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 315,078
Physical health and social services	4,013
Mental health	3,646
County environment and education	51,478
Roads and transportation	1,804,837
Governmental services to residents	888
Administration	108,056
Total depreciation expense - governmental activities	\$ 2,287,996

Hardin County
Notes to Financial Statements
June 30, 2013

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Bonds	Capital Lease Purchase Agreements	Compensated Absences	Drainage Warrants/ Drainage Improvement Certificates	Net OPEB Liability	Total
Balance beginning of year	\$ 9,230,000	168,786	348,140	3,050,566	253,282	13,050,774
Increases	20,000,000	190,038	4,661	438,458	103,655	20,736,812
Decreases	565,000	228,042	20,363	2,573,166	-	3,386,571
Balance end of year	\$ 28,665,000	130,782	332,438	915,858	356,937	30,401,015
Due within one year	\$ 755,000	101,998	332,438	-	-	1,189,436

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease two vehicles for the conservation department, five sheriff vehicles and computer equipment with historical costs of \$54,163, \$108,203 and \$103,586 respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 6.00% to 7.35% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2013:

Year ending June 30,	Sheriff Vehicles	Computer Equipment	Conservation Vehicles	Total
2014	\$ 46,879	51,793	8,246	106,918
2015	30,511	-	-	30,511
Total minimum lease payments	77,390	51,793	8,246	137,429
Less amount representing interest	6,082	-	565	6,647
Present value of net minimum lease payments	\$ 71,308	51,793	7,681	130,782

Payments under capital lease purchase agreements totaled \$228,040 for the year ended June 30, 2013.

Hardin County
Notes to Financial Statements
June 30, 2013

(8) Long-Term Liabilities (continued)

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

Bonds Payable

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	0.80 - 5.40 %	\$ 755,000	821,412	1,576,412
2015	1.05 - 3.63	1,665,000	802,169	2,467,169
2016	1.35 - 3.75	1,725,000	760,973	2,485,973
2017	1.70 - 4.00	1,775,000	715,984	2,490,984
2018	1.95 - 4.00	1,815,000	667,866	2,482,866
2019-2023	1.95 - 4.00	7,735,000	2,706,250	10,441,250
2024-2028	3.00 - 4.00	7,725,000	1,609,562	9,334,562
2029-2032	3.25 - 4.00	5,470,000	446,849	5,916,849
Total		\$ 28,665,000	8,531,065	37,196,065

During the year ended June 30, 2013, the County issued \$20,000,000 of general obligation bonds and retired \$565,000 of bonds.

Hardin County
Notes to Financial Statements
June 30, 2013

(9) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating fund. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Hardin County Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$1,280,638.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$125,101, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$676,513 at June 30, 2013 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 73,759
Incurred claims (including claims incurred but not reported at June 30, 2013)	1,274,978
Payments on claims during the fiscal year	<u>1,223,636</u>
Unpaid claims end of year	<u>\$ 125,101</u>

Hardin County

Notes to Financial Statements

June 30, 2013

(10) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a postage machines through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire on various dates through December 2015. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year ending June 30,	Annual Rent Due
2014	\$ 24,334
2015	15,474
2016	4,122
2017	-
2018	-
Total	<u>\$ 43,930</u>

The total annual lease costs for the year ended June 30, 2013 were \$22,410.

(11) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The Pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the Pool on an annual basis. Member contributions to the Pool are recorded as expenditures from the operating fund at the time of payment to the risk pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The Pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool, and to pay all reasonable and necessary expenses to administer the Pool and fund.

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2013, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability.

Hardin County
Notes to Financial Statements
June 30, 2013

(11) Risk Management (continued)

The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2013, 2012 and 2011, the Pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$332,112.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the Pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(12) Subsequent Event

Management has evaluated subsequent events through January 15, 2014, the date on which the financial statements were available to be issued.

Required Supplementary Information

10 11

Hardin County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 7,154,194	-
Interest and penalty on property tax	55,350	-
Intergovernmental	6,053,366	-
Licenses and permits	6,580	-
Charges for service	512,923	-
Use of money and property	168,138	-
Miscellaneous	852,643	426,153
Total receipts	<u>14,803,194</u>	<u>426,153</u>
Disbursements:		
Public safety and legal services	3,567,132	-
Physical health and social services	171,509	-
Mental health	1,082,252	-
County environment and education	932,222	-
Roads and transportation	5,424,525	-
Governmental services to residents	462,595	-
Administration	1,716,744	-
Non-program	939,804	779,574
Debt service	20,901,484	-
Capital projects	3,755,105	-
Total disbursements	<u>38,953,372</u>	<u>779,574</u>
Deficiency of receipts under disbursements	(24,150,178)	(353,421)
Other financing sources, net	<u>20,438,458</u>	<u>438,458</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,711,720)	85,037
Balance beginning of year	<u>12,437,943</u>	<u>164,330</u>
Balance end of year	<u><u>\$ 8,726,223</u></u>	<u><u>249,367</u></u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
7,154,194	6,968,986	6,968,986	185,208
55,350	37,200	37,200	18,150
6,053,366	6,796,265	6,841,522	(788,156)
6,580	14,200	14,200	(7,620)
512,923	440,305	440,305	72,618
168,138	155,200	155,200	12,938
426,490	319,375	319,375	107,115
14,377,041	14,731,531	14,776,788	(399,747)
3,567,132	3,576,365	3,635,246	68,114
171,509	262,300	262,300	90,791
1,082,252	1,958,192	1,958,192	875,940
932,222	889,390	989,346	57,124
5,424,525	5,118,126	5,530,892	106,367
462,595	500,751	500,751	38,156
1,716,744	1,801,416	1,846,416	129,672
160,230	232,032	268,984	108,754
20,901,484	963,087	963,087	(19,938,397)
3,755,105	3,886,800	4,332,600	577,495
38,173,798	19,188,459	20,287,814	(17,885,984)
(23,796,757)	(4,456,928)	(5,511,026)	(18,285,731)
20,000,000	-	-	20,000,000
(3,796,757)	(4,456,928)	(5,511,026)	1,714,269
12,273,613	11,709,324	11,709,324	564,289
8,476,856	7,252,396	6,198,298	2,278,558

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,803,194	274,064	15,077,258
Expenditures	38,953,372	140,310	39,093,682
Net	(24,150,178)	133,754	(24,016,424)
Other financing sources, net	20,438,458	190,037	20,628,495
Beginning fund balances	12,437,943	254,342	12,692,285
Ending fund balances	\$ 8,726,223	578,133	9,304,356

Hardin County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$1,099,355. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function and disbursements in a department exceeded the amount appropriated.

Hardin County
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 4,071,595	27.0%
2011	July 1, 2009	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 3,966,060	27.7%
2012	July 1, 2009	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 4,259,583	25.8%
2013	July 1, 2012	-	\$ 1,206,456	\$ 1,206,456	0.0%	\$ 4,019,439	30.0%

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Assets			
Cash, cash equivalents and pooled investments	\$ 85,285	506,190	4,094
Drainage assessments receivable	-	-	-
Total assets	\$ 85,285	506,190	4,094
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue	\$ -	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	85,285	506,190	4,094
Total fund balances	85,285	506,190	4,094
Total liabilities and fund balances	\$ 85,285	506,190	4,094

Special Revenue				
County				
Garden Wind Farm TIF	State Forfeiture Funds	Recorder's Records Management	Drainage Districts	Total
70,795	1,408	59,447	260,669	987,888
-	-	-	50,642	50,642
70,795	1,408	59,447	311,311	1,038,530
-	-	-	50,642	50,642
-	-	-	50,642	50,642
-	-	-	260,669	260,669
70,795	1,408	59,447	-	727,219
70,795	1,408	59,447	260,669	987,888
70,795	1,408	59,447	311,311	1,038,530

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Revenues:			
Property and other county tax	\$ -	161,062	17,283
Intergovernmental	11,351	-	-
Charges for service	-	-	-
Use of money and property	344	-	-
Miscellaneous	-	-	-
Total revenues	11,695	161,062	17,283
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	35,641	-	-
Non-program	-	-	-
Debt service	-	-	33,740
Total expenditures	35,641	-	33,740
Excess (deficiency) of revenues over (under) expenditures	(23,946)	161,062	(16,457)
Other financing sources:			
Operating transfers in	-	-	20,000
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources	-	-	20,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(23,946)	161,062	3,543
Fund balances beginning of year	109,231	345,128	551
Fund balances end of year	\$ 85,285	506,190	4,094

Special Revenue				
Garden Wind Farm TIF	State Forfeiture Funds	County		Total
		Recorder's Records Management	Drainage Districts	
156,585	-	-	-	334,930
-	-	-	-	11,351
-	-	3,860	-	3,860
-	-	201	-	545
-	-	-	426,153	426,153
156,585	-	4,061	426,153	776,839
-	6,381	-	-	6,381
-	-	-	-	35,641
-	-	-	779,574	779,574
85,790	-	-	-	119,530
85,790	6,381	-	779,574	941,126
70,795	(6,381)	4,061	(353,421)	(164,287)
-	-	-	-	20,000
-	-	-	438,458	438,458
-	-	-	438,458	458,458
70,795	(6,381)	4,061	85,037	294,171
-	7,789	55,386	175,632	693,717
70,795	1,408	59,447	260,669	987,888

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,724	119,242	142,028
Other County officials	148,584	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,031	749	49,944
Succeeding year	-	213,000	154,892	11,400,523
Accounts	3,747	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 152,331	216,755	274,883	11,592,495
Liabilities				
Accounts payable	\$ -	-	1,314	-
Due to other governments	14,408	216,755	260,474	11,592,495
Trusts payable	137,923	-	-	-
Compensated absences	-	-	13,095	-
Total liabilities	\$ 152,331	216,755	274,883	11,592,495

Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Local Emergency Management Services
19,565	100,169	3,802	34	5,239	431,302	110,699
-	-	-	-	-	-	-
7,306	31,752	2,272	13	-	-	-
1,524,331	5,187,217	415,415	2,720	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,551,202	5,319,138	421,489	2,767	5,239	431,302	110,699
-	-	-	-	-	-	276
1,551,202	5,319,138	421,489	2,767	5,239	431,302	107,824
-	-	-	-	-	-	-
-	-	-	-	-	-	2,599
1,551,202	5,319,138	421,489	2,767	5,239	431,302	110,699

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2013

	E911 Surcharge	Drainage Districts	Other	Total
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 382,649	22,256	54,556	1,394,265
Other County officials	-	-	-	148,584
Receivables:				
Property tax:				
Delinquent	-	-	-	93,067
Succeeding year	-	-	-	18,898,098
Accounts	21,157	-	-	24,904
Due from other governments	16,999	-	-	16,999
Total assets	\$ 420,805	22,256	54,556	20,575,917
Liabilities				
Accounts payable	\$ 4,942	-	-	6,532
Due to other governments	415,863	22,256	38,271	20,399,483
Trusts payable	-	-	16,285	154,208
Compensated absences	-	-	-	15,694
Total liabilities	\$ 420,805	22,256	54,556	20,575,917

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 166,475	210,360	293,732	10,846,430	1,519,241
Additions:					
Property and other county tax	-	204,319	145,768	10,943,022	1,489,332
E911 surcharge	-	-	-	-	-
State tax credits	-	10,122	51,885	524,679	72,134
Grants	-	-	-	-	-
Interest	11	-	-	-	-
Office fees and collections	2,020,240	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	439,543	-	-	-	-
Miscellaneous	-	-	39	-	-
Total additions	2,459,794	214,441	197,692	11,467,701	1,561,466
Deductions:					
Agency remittances:					
To other funds	1,791,952	-	-	-	-
To other governments	209,951	208,046	216,541	10,721,636	1,529,505
Trusts paid out	472,035	-	-	-	-
Total deductions	2,473,938	208,046	216,541	10,721,636	1,529,505
Balances end of year	\$ 152,331	216,755	274,883	11,592,495	1,551,202

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Local Emergency Management Services
5,087,019	385,628	2,602	7,182	401,008	-	91,102
6,902,730	398,248	2,607	-	-	-	-
-	-	-	-	-	-	-
287,464	17,977	125	-	-	-	-
-	-	-	-	-	-	25,798
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,754,329	-	-
-	-	-	-	-	67,385	-
-	-	-	31,276	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	76,705
7,190,194	416,225	2,732	31,276	5,754,329	67,385	102,503
-	-	-	-	181,002	31,332	-
6,958,075	380,364	2,567	33,219	5,543,033	36,053	82,906
-	-	-	-	-	-	-
6,958,075	380,364	2,567	33,219	5,724,035	67,385	82,906
5,319,138	421,489	2,767	5,239	431,302	-	110,699

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year ended June 30, 2013

	Drainage Districts	E911 Surcharge	Tax Sale Redemption Non-County	Third Party Payees
Assets and Liabilities				
Balances beginning of year	\$ 15,307	354,479	-	6,776
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	155,280	-	-
State tax credits	-	-	-	-
Grants	-	-	-	-
Interest	-	1,270	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	11,287	-	-	-
Trusts	-	-	187,843	79,291
Miscellaneous	-	593	-	-
Total additions	11,287	157,143	187,843	79,291
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	4,338	90,817	187,843	-
Trusts paid out	-	-	-	82,022
Total deductions	4,338	90,817	187,843	82,022
Balances end of year	\$ 22,256	420,805	-	4,045

Other	Total
77,418	19,464,759

-	20,086,026
-	155,280
-	964,386
-	25,798
-	1,281
-	2,020,240
-	5,754,329
-	67,385
-	42,563
-	706,677
14,131	91,468
14,131	29,915,433

-	2,004,286
41,038	26,245,932
-	554,057
41,038	28,804,275
50,511	20,575,917

Hardin County
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 6,512,506	6,426,282	6,438,937	5,983,894
Local option sales tax	638,592	630,507	718,785	645,776
Interest and penalty on property tax	50,735	54,121	54,368	89,748
Intergovernmental	6,225,000	7,683,304	7,503,886	8,039,328
Licenses and permits	4,825	26,282	12,712	27,286
Charges for service	473,821	494,711	480,505	419,077
Use of money and property	159,932	198,546	202,184	210,894
Miscellaneous	1,011,847	344,474	556,342	543,793
Total	\$ 15,077,258	15,858,227	15,967,719	15,959,796
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,602,978	3,518,509	3,423,543	3,378,278
Physical health and social services	161,997	207,052	211,600	264,083
Mental health	749,434	2,088,962	1,747,233	1,754,696
County environment and education	953,821	786,887	929,516	874,483
Roads and transportation	5,476,613	4,548,742	5,606,480	4,949,674
Governmental services to residents	490,320	457,137	409,986	441,706
Administration	1,802,277	1,702,756	1,469,657	1,865,299
Non-program	943,263	1,887,148	1,338,296	220,027
Debt service	21,265,774	934,820	803,307	2,027,239
Capital projects	3,647,205	2,269,922	1,548,898	1,583,856
Total	\$ 39,093,682	18,401,935	17,488,516	17,359,341

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
5,850,891	5,447,040	5,112,964	4,577,109	3,980,093	4,654,455
693,063	635,029	698,188	633,861	492,430	564,253
47,507	42,934	39,494	38,510	38,758	41,442
7,643,605	6,494,968	6,744,867	6,900,497	5,625,385	5,580,865
13,592	18,901	10,340	8,167	7,212	4,203
457,559	468,832	454,697	487,803	424,210	455,355
252,293	347,759	364,731	245,267	153,148	167,378
165,696	204,634	142,023	191,215	160,412	221,207
15,124,206	13,660,097	13,567,304	13,082,429	10,881,648	11,689,158
3,220,284	3,044,804	3,032,813	2,885,183	2,613,136	2,610,147
300,989	261,448	285,423	285,407	287,207	279,862
1,932,986	2,003,263	1,875,028	1,804,829	1,726,207	1,597,490
987,371	805,515	802,147	1,341,057	656,683	704,672
5,135,149	4,105,451	4,032,563	4,666,208	4,526,263	4,008,562
421,998	424,006	370,894	382,062	308,862	305,226
1,439,782	1,359,171	1,403,430	1,201,490	1,079,749	1,065,655
134,945	63,070	78,542	201,437	226,005	1,746,781
623,320	597,781	585,589	521,988	430,939	434,295
201,587	422,541	599,160	137,082	57,300	83,579
14,398,411	13,087,050	13,065,589	13,426,743	11,912,351	12,836,269



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Hardin County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item II-A-13 and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged by governance. We noted no items that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hardin County's Responses to Findings

Hardin County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hardin County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

January 15, 2014

Hardin County
Schedule of Findings
Year ended June 30, 2013

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Hardin County
Schedule of Findings
Year ended June 30, 2013**

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

II-A-13 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder
(2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.	Recorder
(3) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder

Recommendation - We realize that segregation of duties is difficult. However, the Recorder should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The Recorder should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

The County Recorder's response to this comment in previous audit reports was that she would be hiring additional part-time staff to help segregate duties, she and her deputy would rotate duties and that she would work with either the auditor or treasurer's offices to provide additional control. None of these procedures have been implemented and the County Recorder continues to be responsible for the majority of the reconciling duties in her office. She has not delegated any duties to staff members.

**Hardin County
Schedule of Findings
Year ended June 30, 2013**

Part II: Findings Related to the Financial Statements (continued):

Response – The Deputy Recorder is currently making the daily deposits and recording documents. The office is working on other ways to segregate duties in the future.

Conclusion – The County Recorder should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

II-B-13 County Recorder's Office – During the year ended June 30, 2013, significant variances existed between the bank balances and the County Recorder's book balances. The County Recorder had not performed bank reconciliations for the six months prior to June 30, 2013.

Accounts receivable billings had not been sent to clients for the six months prior to June 30, 2013 and a current listing of accounts receivable was not reconciled to the accounting records at June 30, 2013.

Uncashed checks totaling \$1,160.40 and dating as far back as June 4, 2007 and original recording documents were discovered in various piles and boxes of information in the Recorder's office.

Voided DNR tags dating back to January 23, 2013 were discovered that have not been submitted to the DNR for reimbursement.

Recommendation – The County should consult with the County Attorney to determine if the County Recorder is adequately fulfilling the duties of her office as established by Chapter 331 of the Code of Iowa.

Response – The County will consult with the County Attorney regarding this matter.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service function. Disbursements in a department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department, as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Hardin County Schedule of Findings Year ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting (continued):

Response – The budget was exceeded in the debt service function due to the issuance of the general obligation bonds for the construction of the new hospital. We were unaware the activity for those bonds needed to be included in the County's budget. We will monitor the appropriations more closely in the future.

Conclusion – Response accepted.

III-B-13 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-13 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Mesch, maintenance director of the County, owner of J&C Enterprises	Cleaning services for the courthouse	\$ <u>30,260</u>

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Jody Mesch do not appear to represent a conflict of interest since the transactions were competitively bid.

III-E-13 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-12 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

**Hardin County
Schedule of Findings
Year ended June 30, 2013**

III-H-13 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

III-I-13 Capital Lease Purchase Agreement – The County did not hold a public hearing prior to entering into a \$103,586 capital lease for the purchase of computer equipment as required by Chapter 331.301(10)(c) of the Code of Iowa.

Recommendation – The County should follow the statutory authorization requirements before entering into capital lease purchase agreements.

Response – We will make sure to comply with the public hearing requirement in the future.

Conclusion – Response accepted.

III-J-13 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

Hardin County Audit Staff

This audit was performed by:

**Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa**

Personnel:

**Elizabeth A. Miller, CPA, Principal
Nathan Minkel, CPA, Principal
Diana Swanson, Staff**